2004 -2005
TRAVEL & TOURISM SERVICES IN FRANCE

SUMMARY

The United States remains one of the top choices among long-haul destinations for French travelers. France ranks third among European markets, after the United Kingdom and Germany, and sixth in the world after Canada, Mexico, Japan, the U.K., and Germany as an overseas source of income for the U.S. tourism industry. However, French travel to the U.S. was down significantly in 2001 (down 19 percent) and 2002 (down 19 percent). In 2003, decline was not as steep (only down 6 percent), signaling a turnaround in the market.

It is clear that September 11 and the Iraq war had a major impact on the French travel & tourism industry, particularly on those promoting travel to the United Sates. Although there have been some signs of a mild recovery, France's U.S. destination travel industry continues to suffer. Other factors such as the exchange rate and electronic passports are also impacting travel and tourism to the U.S.

The Commercial Service and the Visit USA Committee France, a private industry association aimed at promoting the United States as a travel and tourism destination, are actively promoting U.S. tourism destinations by cooperating in organizing promotional activities such as trade and consumer shows and publishing travel guides for the travel trade industry and the general public.

MARKET HIGHLIGHTS AND BEST PROSPECTS

<u>Market Profile</u>

A report by the World Travel & Tourism Council shows the European Union as the largest regional generator of travel and tourism in the world, followed by the combined U.S./Canadian market.

<u>Forecast for International Inbound Travel to the United States</u>

International arrivals to the U.S. declined in 2001 and 2002 but are forecast to grow for the next three years by more than 4 percent per year.

Quiet optimism seems to be the key phrase for 2004. According to the latest forecast issued by the U.S Department of Commerce’s Office of Travel & Tourism Industries (OTTI), the majority of overseas markets have seen a halt in the downward spiral. By the end of 2003, the seeds had been in place for a resurgence in outbound travel, with positive growth predicted through 2006. This depends, to a large extent, on a status quo in world events, with no additional changes that could negatively impact on the U.S. travel industry.

- Europe will continue to be the top tourism generating overseas region with visitor arrivals expected to surpass 9 million by 2004, a 7 percent increase over 2003.

- Asia's recovery will be slow through 2006, with only 18 percent growth through the forecast period. The impact of slower growth from Japanese travelers affects this regional forecast.
- South America's relatively slight 18 percent growth over the forecast period is due primarily to volatile economic and political conditions in its top markets, with the notable exception of Brazil.

Year	Number of Travelers	Annual Percentage Change
2001	44,898 million	-12 percent
2002	41,892 million	- 7 percent
2003	42,166 million	1 percent
2004	44,963 million	7 percent

Source: U.S. Department of Commerce, ITA, Office of Travel and Tourism Industries

French Travelers to the United States

France will continue to be among the top tourism revenue generating countries. However, visitor arrivals were down substantially in 2001 (-19 percent) and 2002 (-19 percent). In 2003, the tide was stemmed somewhat as the decrease in arrivals over 2002 was only 6 percent.

Trends in Arrivals of French Visitors to the U.S. (in millions)
2003: 0.689
2002: 0.734
2001: 0.876
2000: 1.074
1999: 1.044
1998: 1.013
1997: 0.978

Forecast for Arrivals of French Visitors to the U.S. (in millions)
2003: 0.697 (-5 percent)
2004: 0.757 (+9 percent)
2005: 1.822 (+9 percent)

Trends in Receipts from French Visitors (in $ millions)
2002: 1.974
2001: 2.28

Destinations of French Visitors (market share 2003)
Middle Atlantic: 39.2 percent
Pacific: 29.8 percent
South Atlantic: 26.4 percent
Mountain: 14.6 percent
New York: 32.9 percent
California: 28.5 percent

Selected Traveler Characteristics (market share 2003)
Purpose of trip:
Vacation/Holiday: 54 percent
Visit friends and relatives: 42 percent

Business:	31 percent
Attend Convention:	5 percent

Transportation used in U.S.:

Rented automobile:	30 percent
Private automobile:	26 percent
Airline in U.S.:	18 percent
Rail between cities:	15 percent
Bus between cities:	11 percent

Selected Leisure Activities in the U.S.:

Dining/Restaurants:	84 percent
Shopping:	90 percent
Sightseeing in Cities:	50 percent
Theme Parks:	40 percent
Historical Places:	37 percent
Water Sports/Sunbathing:	33 percent
Tour Countryside:	26 percent
Visit National Parks:	24 percent
Art Galleries/Museums:	21 percent
Native American Sites:	5 percent

Average Length of Stay in the U.S. (in number of nights):

2003:	22.4
2002:	17.5
2001:	15

Average Daily Visitor Spending in the U.S:

2003:	$76
2002:	$81
2001:	$71
2000:	$100

Source: Tourism Industries, International Trade Administration, U.S. Department of Commerce, 2003.

Statistical Data (for total French tourism trade in $ billion)

Legend	2001	2002	2003	Projections for 2004
Total tourism receipts from travelers from outside France	100.86	103.38	105.96	+2.5 percent
Total tourism receipts from residents of France in France	114.8	118.3	121.85	+3 percent
Total tourism receipts from French citizens traveling abroad	33.9	34.91	35.96	+3 percent
Total tourism receipts in France (2+1-3)	181.76	186.77	191.85	+2.73 percent
Total tourism receipts from U.S. travelers to France	4.3	4.51	3.43	-20 percent
Total tourism receipts from French travelers to U.S.	2.18	1.87	1.57	+9 percent
Exchange Rates	€1.1000	€1.1078	€1.0534	€0.8840

Source: U.S. Department of Commerce, ITA, Office of Travel and Tourism Industries
French Ministry of Travel & Tourism
Inflation Rate in 2003 (annual average): 2 percent
Receptivity code (1-5): 3
Range: 5 (extremely receptive) to 1 (not receptive)

France is the third largest market in Europe, after the U.K. and Germany for U.S. destinations. September 11 and the Iraq war have had a major impact on the French travel & tourism industry.

Best Sales Prospects

The U.S. is a popular destination for French tourists, ranked number one among long-haul destinations, just behind the French West Indies. French visitors are attracted very much to the sea, beaches and sun. This explains the popularity of destinations such as Florida and California. As the French are also highly fond of culture and history, many French visitors choose cities renowned for their artwork or museums. Additionally, images of cowboys and Native Americans along with open spaces, fostered by American TV shows and movies, remain vivid in the French imagination, which explains why Western states are also popular in France.

Destinations

New York, Florida, California, and the national parks in Arizona, Nevada, and Utah remain the top destinations for French travelers. New York is the major gateway. Florida offers the sun, beaches and amusement parks. California offers sun, projects an appealing lifestyle, and is an entry point to many national park areas.

Travel Arrangements

Travel arrangements are offered in all tour operators' brochures through:

- *City-package plans,* with an average length of stay of five to seven days. Only 25 percent of these plans offer only the beach and sun (usually Miami, Palm Beach); 75 percent offer city stays including sightseeing and airport transportation, mainly in New York, Washington D.C., Boston, Chicago, Los Angeles, San Francisco, New Orleans, Las Vegas, Miami, and Orlando.

- *Self-drive tours,* with an average length of stay of 15 days. These are in three major regions: the Far West (including Los Angeles, San Francisco, Las Vegas and the national parks in the West), the East Coast (including New York, Niagara Falls, Boston and New England, Washington D.C., Philadelphia and Canada), and the South (including Florida and New Orleans, Louisiana).

Most importantly, French customers are repeat visitors who, having experienced the most popular destinations, are now looking for new activities and destinations. The South and the West (in particular, Texas, New Mexico, Wyoming, Montana and Colorado) are attracting more and more French visitors looking for outdoor activities and sports (hiking, golfing, surfing, skiing). New England, Washington D.C., Louisiana, and other parts of the South (such as Missouri, Georgia, North Carolina and South Carolina) are also becoming more popular. For the past few years, states in these regions have launched significant promotional campaigns in France.

COMPETITIVE ANALYSIS

Local Market Characteristics

The French have five weeks of statutory paid vacation each year. Generally, they work 35 hours per week. Tourism in France is seasonal: one week is generally taken in winter (February), one week in spring (April), and three weeks in the summer (between June 30 and September 15), traditionally during school vacations. The fact that the French all leave at the same time is a major concern for the airlines, which are oversold at such periods and below capacity during the rest of the year.

Numerous American tourism professionals view France as a challenging market. Indeed, the growth of French travelers has been affected by the events of September 11. As a consequence, French travelers have shortened their lengths of stay in the United States by a few days.

However, marketing strategies that are adapted to the French market's specific characteristics can help committed destinations to overcome these challenges. The public can be reached through press coverage (press familiarization trips), the Internet, and all forms of advertising. Promotion through the press is the most reliable advertising tool, keeping in mind that press releases and promotional materials should preferably be in French. The media has great influence and should be considered an excellent means to promote tourism to the United States. Travel trade shows, such as Top Resa, are also cultural and attractive vehicles to promote new and undiscovered U.S. destinations. The major travel trade magazines are Le Quotidien du Tourisme, Tour Hebdo et L'Echo Touristique.

Currency

In 2004, the Euro – U.S. Dollar exchange rate is very favorable for the French tourists traveling to the United States. For the year 2004, $1.00 is equivalent to € 0.8840.

Visa Waiver Program and U.S Visit Program

French tourists have the opportunity to travel to the United States for up to three months without a visa. This Visa Waiver Program applies to all major European countries. However, travelers need to be made aware of two new procedures:

- Beginning September 30, 2004, visitors traveling under the Visa Waiver Program who arrive at airports and seaports will be enrolled in US Visit Program. The visitors will have their two index fingers scanned and a digital photograph taken to verify their identity at the port of entry.

- Beginning October 2004, French travelers will have to travel with a machine-readable passport (MRP). This will be less convenient for travelers, but without this new passport, they will need a tourist Visa B1 or B2.

END-USER ANALYSIS

The average French visitor to the Unites States is between 25 and 45 years old, stays approximately 12-16 days, and spends about $100 per day. According to the French Ministry of Travel & Tourism, 6.1 percent of French travelers book their trips through a travel agency or a tour operator.

The French are individualistic and demanding travelers, which explains why 70 percent choose “Fly and Drive” options. Nevertheless, some tourists, mainly retirees, prefer organized trips. A potentially effective strategy for promoting U.S. destinations in France is to promote American uniqueness while recognizing that the French have a keen interest in history and national parks. The French are also looking for personal interaction with the local population. As a result, bed-and-breakfast stays are becoming increasingly popular. At the same time, most French travelers like good food, including French cuisine. The French are also attracted to ethnic foods, which are available increasingly in France itself.

In the United States, French travelers especially appreciate natural and scenic sights; national parks; shopping; driving what they call “une belle américaine” (a big American car) on freeways; jazz music; American breakfasts; McDonald’s; popcorn; hot-dogs; the Hard Rock Café; and theme parks. The French find the Americans friendly, appreciate the American way of life, and are rarely disappointed by their first trip to the United States. They are generally surprised by the size of the country, particularly the distances between locations that are huge compared to European standards. They find themselves frustrated at not having enough time to visit more. As a result, they usually plan a second, and often times, a third trip.

MARKET ACCESS

Tour Operators in France

French tour operators have adapted to the needs of the market and concentrated on products offering plenty of opportunities to explore and satisfy individual interests. Most now sell directly to the public. These include Nouvelles Frontières (a pioneer tour operator, with 2.5 million customers per year), Directours, Lastminute.com/Degriftour.com, Compagnie des Etats-Unis, Comptoir des Etats-Unis, Voyageurs en Amérique du Nord, and Brokair/Look Voyages/Vacances Air Transat. Other tour operators, such as Vacances Fabuleuses (27,000 visitors), Jetset (18,500 visitors), Jet Tours (8,900 visitors), and Kuoni (12,100 visitors), offer their services through major retail networks such as Havas/American Express and Carlson/Wagonlit Travel.

Top 10 French Tour Operators Selling Tours to the United States and Canada in 2002

Tour Operators	Number of French travelers to the U.S.
Nouvelles Frontières	42,307
Go Voyages	26,025
Vacances Fabuleuses	15,000
Jetset	13,200
Boomerang	12,580
Vacances Air Transat	8,844
Directours	7,107
Capitales Tours	4,897
Voyageurs du Monde	4,659
Kuoni	4,500

Source: Tour Hebdo and L'Echo Touristique magazines

Top 10 French Tour Operators in 2002 (by sales and number of clients to all destinations)

Tours Operators	Sales in € Million	Number of Clients
Club Méditerranée	1,985	1,534,000
Nouvelles Frontières	1,210	1, 600,000
Groupe Pierre & Vacances	605	3,314,274
Disneyland Vacances	364.13	NA
FRAM	415.8	540,000
Look Voyages	300.41	540,712
Jet Tours	263	277,000
Marmara/Etapes Nouvelles	226.78	560,180
Kuoni/Scanditours	213.6	110,000
VVF	157	700,000

Source: Tour Hebdo and L'Echo Touristique Magazines

In recent years, the French tourism industry has experienced a series of mergers and acquisitions:

- In 2002, Vacances Air Transat, Look Voyages, Brok'air, Anyway and Club Voyages are now operating under the Canadian label group Transat.
- Accor, a major retail agency network is now the major shareholder of the French tour operator Go Voyage (60 percent of its capital).
- V Finances, a financial company based in Nice, took over Boomerang and Usit Connection France.

- Jet Set acquired Equinoxiales, a tour operator specializing on South America and the Caribbean Island.

- The president of Directours is now the major shareholder of the British tour operator Happy Travel (70 percent of its capital).

- Jet Tours has a joint venture with Club Med in order to sell its products to the main retail agencies (especially Selectour).

- Club Med is selling to Havas Voyages and has signed a commercial marketing agreement with Pinault-Printemps-Redoute, potentially representing 20 million customers.

- Club Med is represented in travel agencies and has signed agreements with Afat, Protravel, Leclerc Voyages, Selectour-Carlson Wagonlit Travel and Alliance du Sud (Created in 2002, Alliance du Sud is represented in six countries and has 2,570 agencies and sales of €5 billion. BBI and CWT from Belgium, CIT from Italy, Viajes Ecuador from Spain and Top Atlantico from Portugal are counted among its members).

- Kuoni France acquired two leading U.S. firms Allied and Tpro and took over Vacances Fabuleuses. Vacances Fabuleuses kept its name but is now located at the same address as Kuoni.

- Tui (which took over Nouvelles Frontieres) launched a new tour operator in France called TUI France.

- Lastminute.com is now a member of Manor, one of the leading travel agency associations in France.

- Thomas Cook developed a new strategy in order to cover all the markets and launched Neckermann in France.

Effects of the September 11 Attacks on French Tour Operators

Most of France's top tour operators suffered major declines in business activity to the United States as a result of the September 11 attacks. At the same time, these tour operators and other organizations in France took several steps to help boost business to the United States such as low cost packages, press trips, and advertising campaigns.

It is important to note that the French have continued to travel internationally. Although there was an overall downturn immediately after September 11, travel rebounded significantly several months later. Travel to the United States and the Middle East (Syria, Jordan, Israel, Egypt), however, remains slow. Other leading destinations are now emerging, such as Malta, Portugal, Thailand, Mauritius, the Seychelles Islands, the Maldives, the Caribbean Islands (Cuba, Dominican Republic) and Croatia.

Tour Operators in Europe

Top Nine European Tour Operators in 2002/203 (by sales)

Tour Operator	Country
World of TUI (Preussag/TUI/Thompson)	Germany
Thomas Cook	Germany
My Travel	U.K
Rewe / LTU	Germany
First Choice	U.K
Kuoni	Switzerland
Groupe Iberostar	Spain
Hotelplan	Switzerland
Altour	Italy

Source: Tour Hebdo and L'Echo Touristique magazines

These top European tour operators now hold nearly 70 percent of the market and represent sales of $39.5 billion. It is important to note that the top two European tour operators are German. Takeovers and mergers increased from 2001 to 2004, primarily because French tour operators are too small and specialized to survive on their own. This has had a disruptive impact on the structure of the French travel and tourism industry, signaling the increased power of non-French tour operators, particularly those from Germany.

- The U.K.'s Lastminute.com took over Degriftour in 2000 and Travelprice in 2002. The firm also a cooperation agreement with Thomas Cook.
- German Firm C&N acquired Havas Voyages/American Express and Thomas Cook.
- German firm World of TUI took over the French tour operator Nouvelles Frontieres.

Travel Agencies

France's 6,000 travel agencies were buoyed by recent meetings with Air France in which the carrier agreed not to reduce its commissions to travel agencies through 2005. Travel agencies in the U.S. have been operating without such commissions for two years now, which is a way for airlines to cut costs.

Major Travel Agency Associations in 2003 (by volume)

Alliance T (Selectour, Protravel, Frantour, Wasteels, Tourisme Verney, CWT Grands Comptes, CWT Proximité, CIT, Lusitania, JV Voyages)	1,303 agencies
SNAV (Syndicat National des Agences de Voyages)	1,365 agencies
Carlson Wagonlit & Protravel	527 agencies
AFAT (Association Française des Agences de Tourisme) "réseau volontaire"	478 agencies
Tourcom	417 agencies
Havas Voyages American Express & Havas Voyages Tourisme	610 agencies
Manor	250 agencies
Leclerc Voyages	115 agencies

Source: Tour Hebdo and L'Echo Touristique magazines

As with tour operators, the travel agent industry has seen increased consolidation in recent years:

- In summer 2002, Accor Travel Distribution merged with Sélectour in order to create l'Alliance.

- In 2003, Carlson Wagonlit Travel took over Protravel, creating a new group with 527 agencies.

- In 2004, Havas Voyages/American Express (HVAE), Afat Voyages, Thomas Cook and Manor created an alliance called G4.

"Alliance T" Members by Sales and Number of Agencies

Members	Sales in € Million	Number of Agencies
Selectour	1,256.9	525
CWT Grands Comptes	967.8	114
Protravel	783	214
CWT Proximité	460.5	176
Frantour	202.4	121
Wasteels	135	91
Tourisme Verney	39.8	29
CIT	31.3	13
JV	25	9
Lusitania	14.3	11
Total	**3,916**	**1,303**

"G4" Members by Sales and Number of Agencies

Members	Sales in € Million	Number of Agencies
HVAE	1,707	162
Afat Voyages	980	487
Thomas Cook	972	442
Manor	880	209
Total	**4,539**	**1,300**

Tourist Villages

The popularity of the French tourist villages has been in evidence for the past 4 years. Club Med, the pioneer is very innovative and offers plenty of activities to the consumers.

Top Eight French Tourist Village Firms

Tourist Village Firm	Number of Tourist Villages	Creation Date
Club Med	120	1950
VVF Vacances	121	1956
Eldorador	22	1975
Framissima	22	1984
Paladiens	23	1986
Lookea	13	1996
Marmara	10	1998
Coralia	17	2000

Cruises

In 2002, France ranked number four in the cruise market in Europe with 215,000 passengers, after the U.K (832,000 passengers), Germany (430,000 passengers) and Italy (300,000 passengers).

Top Seven French Cruises Lines in 2003

Cruise Lines	Number of Passengers
Costa Croisières	75,000
Festival Croisières	40,000
Croisières MSC	10,000
Plein Cap	7,500
RCI/Celebrity	5,240
SNCM	4,600
Transtours	3,000

In new developments, the Queen Mary 2 was launched in January 2004 and offers a transatlantic trip from Southampton (U.K.) to New York on 13 departures from April through October 2004. The Queen Mary 2 has a capacity of 2,800 passengers. This is the only transatlantic ocean trip to the U.S. and is represented by Un Ocean de Croisieres and Cunard in France.

Also, Celebrity and Royal Caribbean (represented by Lattitude Sud in France) have decided to launch an e-ticket option for traveler convenience like the airlines.

Airlines

The airline industry is now in a highly competitive environment, as most carriers are going through structural changes and mergers and acquisitions in order to compete in an ever-changing marketplace. Since September 11, air travel has decreased but the costs have increased dramatically (fuel and insurance costs). Additionally, governments have required airlines to add important security measures.

Like U.S. airlines that halted commissions to travel agents for tickets sales, European airlines are increasingly refusing to pay commissions to online travel agencies. Instead, the airlines ware working together to sell tickets directly to customers via new websites such as Opodo in Europe or Expedia in the United States. These factors will have an impact on tour operator and travel agency programs.

International Airline Alliances

By cooperating and forming alliances with their American and other competitors, European airlines can now offer more destinations and services. Examples of cooperation under these alliances include: frequent flyer mile reciprocity, simplification of ticketing, better flight connections, harmonization of tariffs and services, and code sharing.

There are now four major international airline alliances.

Star Alliance - Created in 1997, this alliance includes Air Canada, Air New Zealand, All Nippon Airways, Asiana, Austrian Airlines Group (Austrian Airlines, Lauda Air and Tyrolean Airways), British Midland, Lufthansa German Airlines, Mexicana Airlines, Polish airlines LOT, Scandinavian Airlines (SAS), Singapore Airlines, Spanair, Thai Airways International, United Airlines , US Airways and Varig Brazilian Airlines.

The partnership offered over 688 destinations in more than 128 countries and carried 292 million passengers in 2002. This alliance represents 22 percent of the market.

In 2004, the Polish airline LOT and US Airways became members of Star Alliance. These additions will bring the number of Star Alliance passengers to 640 million worldwide.

Oneworld - Created in 1999, Oneworld is second in terms of total sales. It includes, Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, LanChile, Qantas and Swiss.

In 2002, Oneworld offered 563 destinations in 136 countries and carried 242 million passengers worldwide. By 2004, the Oneworld alliance with carry 486 million passengers worldwide.

Sky Team - Sky Team includes Aeromexico, Air France, Delta Airlines, Alitalia, Korean Air CSA Czech Airlines, KLM and Aeroflot. In 2002, this alliance represented 21 percent of the market including KLM, Northwest and Continental, and offers more than 500 destinations in 114 different countries with 8,000 flights per day and 220 million annual passengers worldwide.

In 2004, Aeroflot (the Russian airline company) became a member of Sky Team, extending the alliance's presence in Eastern Europe and Central Asia. Moreover, with Aeroflot's entry (and after the integration of KLM, Northwest and Continental), Sky Team's traffic will represent 622 million passengers.

With the addition of these new companies to the alliance, Sky Team has become Star Alliance's major challenger in terms of market share.

Wings - Wings includes Air China, Air Europa, Alaska Airlines, America West Airlines, Continental, Emirates, Eva Air, Hawaiian Airlines, KLM Royal Dutch, Northwest Airlines, Virgin Atlantic and Amtrak (America's National Railroad Passenger Corporation).

The partnership offers 500 destinations worldwide.

Emerging Low Cost Airline Companies in Europe

After the Gulf War, a number of low cost airlines emerged to compete with already established airlines in the western United States. Shuttle by United pioneered this entry, then Southwest Airlines, a subsidiary of American Airlines, was founded in 1974. Many more followed, including European varieties like Ryanair and Easyjet. Already these low cost alternatives have captured 5 percent of world air traffic.

Their strategy is simple: fly short haul destinations without connecting flights using secondary airports and maximizing the flying time of each aircraft. This creates a cost structure 30 to 40 percent lower than that of regular airlines. As a result, these firms have significant growth potential. For example, EasyJet is growing at 35 percent per year and Ryanair at 32 percent, compared to Air France at 19 percent and British Airways at 4 percent.

The low cost airline leaders in Europe:

1) Ryanair (U.K.) founded in 1985.
2) Buzz (subsidiary of KLM), founded in 2000, taken over in February 2003 by Ryanair.
3) Go (British Airways), founded in 1999.
4) Easyjet.

With 5.1 million passengers in 2002, low cost airlines quadrupled their traffic in France. Most French regions are affected by this new market, which represents 7 percent of the air traffic in France. Regional airports are benefiting greatly from these new low cost alternatives in France.

Prospects for low cost airlines in France have been bolstered by the bankruptcy of Air Lib in 2003. This freed 52,000 slots at Orly airport, giving these low cost firms more opportunities to develop their presence in France and to open new connections between France and other European cities.

Air France

Air France, the French flag carrier, is the country's number one airline with 40.09 million passengers in 2002, followed by Air Liberté with 4.4 million passengers and Corsair with 2.4 million passengers. Perhaps Air France's strongest domestic competition is the TGV, France's high-speed train network.

Air France is also number on in Europe, ahead of Lufthansa and British Airways with 16.3 percent of the total traffic in 2003. Air France's strong position is due primarily to its long haul network. Incidentally, the firm permanently suspended its daily direct Paris/New York Concorde flight on May 31, 2003.

In 1999, Air France, was partially privatized--the French Government still holds a skate in half the company--and initiated a strategy of forming alliances in order to compete against its main European rivals, British Airways and Lufthansa. On June 22, 1999, Air France and Delta Air Lines announced the creation of a new partnership that now represents 149 million passengers, 800 airplanes, 365 destinations. Together the two firms control one-fifth of the transatlantic market.

Next, in November 2003, Air France merged with KLM, although both firms kept their separate identities. With the merger came Basiq Air (a low cost subsidiary of KLM). Furthermore, KLM joined with Air France and Delta as members of Sky Team. This new group ranks number one worldwide in sales--€19.2 billion--and number three in air traffic after American Airlines and United Airlines. The new group has 540 planes and offers 226 destinations throughout the world.

Air France did limit its partnerships to other airlines. With eight others companies it created an on-line booking agency named Opodo and has established a joint venture with les Galeries Lafayette, one of France's major department stores.

Air France now controls 48 percent of the traffic between France and the United States and is the only company to show positive results since September 11. After the attacks, the airline developed a strategy of stabilization rather than massive capacity cuts. The strategy paid off by 2003 when Air France had it increased the number of seats to the U.S. by 15 percent for the winter season.

Other French Airlines

Air France dominates in France. As noted, other airlines include Air Liberté and Corsair, as well as charter companies like Star Airlines, Air Méditerranée, Aigle Azur, Blue Line, Air Moorea, Air Tahiti, Air Caraïbes and Axis Airways. In 2003, five airlines--Air Lib, AOM, Air Littoral, Aéris and Euralair--filed for bankruptcy. Ocean Airways, a new entrant based in Nantes, will propose direct flight from Nantes to New York three times a week by the end of the year.

Bilateral Air Service Agreement

The United States and France signed a bilateral air service agreement on October 20, 2001, pursuant to an initial agreement concluded in April 1998. This "open skies" agreement entered into effect in the first quarter of 2002 and its four-year term includes authorization for a 40 percent increases in services by U.S. airlines to France with an equal number authorized by French carriers to the U.S.

The European Commission and the United States have started to discuss an open skies agreement between Europe and the United-States. The negotiations will include discussions on ownership (foreign companies can hold no more than a 25 percent share of U.S. airlines).

Consequences of September 11

In the wake of September 11, some U.S. carriers cut back on their daily flights. In 2002, the firms experienced a mild recovery and re-established some of these routes. Nonetheless, they continued to face difficulties, doubling their losses in 2002. As a result, most airlines are cutting back on employees and capacity. Increased oil prices and lower traffic to the U.S.--both consequences of the war in Iraq--suggest these firms are not out of the woods yet. This uneasiness is pushing companies to work together to develop new alliances.

U.S. Carriers

Seven airlines--six U.S. and one French--offer non-stop flights from Paris/Charles de Gaulle or Orly airports to the U.S.: Air France, American Airlines, Continental Airlines, Delta Air Lines, Northwest, United Airlines and US Airways.

Despite the problems of the post-9/11 ear, somel U.S companies turned a profit in 2003:

- Continental made $133 million in profits.
- Northwest made $42 million in profits.
- American made $1 million in profits.
- Only Delta still suffered losses (-$164 million)

American Airlines - American Airlines is looking to Europe to boost its revenues by adding international routes moves. Among the changes, the airline added a seasonal second flight between Dallas/Fort Worth and Paris in May 2003 a new daily flight between Paris to Boston in May 2004, and another seasonal flight between Dallas/Fort Worth and Paris in June 2004.

Continental Airlines - Continental Airlines is the seventh largest airline in the world. With its three airport hubs (New York Newark, Houston, and Cleveland), Continental has experienced one of the best recoveries among U.S. airlines since September 11. Much of this can be attributed to its agreements with other airlines:

- January 2002 - Continental entered into agreement with Northwest and Delta on code sharing, Frequent Flyer Programs and airport lounges in January 2002.
- February 2003 - Continental and French rail company SNCF concluded an agreement.
- March 2003 - Continental, along with Northwest and KLM, join Sky Team.

Continental opened a second daily flight between Paris and New York in April 2004.

Delta Air Lines - In May 2003, Delta re-established its daily flight between Nice and New York flight. Delta is proposing new connections (for French passengers departing from Paris) to

Denver (Colorado), San Juan (Porto Rico), San Diego (California), Fort Myers (Florida), Savannah (Georgia), and Greensboro (North Carolina).

United Airlines - In December 2002, United was placed under Chapter 11 protection, giving the firm a chance to operate while keeping its debts at the same level. United has announced that it will leave Chapter 11 protection in Spring 2004 and has decided to reduce its cost ($5 billion a year until 2005).

In May 2003, United re-established its daily flight between Paris and San Francisco. United also entered the low cost airline market through Ted, its low cost alternative. Ted operates flights between Denver and Reno, Las Vegas, Phoenix, New Orleans, Tampa, Orlando, Ontario and Fort Lauderdale. Ted also operates between Las Vegas and Los Angeles, Las Vegas and San Francisco and San Francisco and Phoenix.

US Airways - US Airways has long been the sole carrier between Paris and Philadelphia. Due to decreased activity after September 11, the airline temporarily suspended flights between Paris and Charlotte and Pittsburgh.

In August 2002, US Airways was placed under the Chapter 11 protection, but departed such protection in March 2003. To reduce costs US Airways entered into code share with United Airlines and became a member of Star Alliance in May 2004. This summer, US Airways will propose a second daily flight between Philadelphia Paris.

Direct Flights between France and the U.S. (June 2004)

Air France

Departure Airport	**Arrival Airport**	**Frequency**
Paris - CDG	Atlanta – ATL	Four flights per day
Paris - CDG	Boston – Logan	Two flights per day
Paris - CDG	Chicago – ORD	One flight per day*
Paris - CDG	Cincinnati – CVG	Two flights per day*
Paris - CDG	Houston – HOU	One flight per day
Paris - CDG	Los Angeles – LAX	One or two flights per day*
Paris - CDG	Miami – MIA	One flight per day
Paris - CDG	New York – JFK	Six flights per day*
Paris - CDG	New York – Newark	One flight per day
Paris - CDG	Philadelphia	One flight per day
Paris - CDG	San Francisco- SFO	Oneflight per day)
Paris - CDG	Washington – IAD	Two flights per day*
Nice - NCE	New York – JFK	One flight per day*

* Some flights operated by Delta Airlines for Air France
Source: Air France

American Airlines

Departure Airport	**Arrival Airport**	**Frequency**
Paris - CDG	Boston – BOS	One flight per day
Paris - CDG	Chicago – ORD	One flight per day
Paris - CDG	Dallas – DFW	One flight per day
Paris - CDG	Miami – MIA	One flight per day
Paris - CDG	New York – JFK	Two flights per day

Source: American Airlines

Continental Airlines

Departure Airport	Arrival Airport	Frequency
Paris - CDG	Houston – HOU	One flight per day
Paris - CDG	New York – EWR	Two flights per day

Source: Continental Airlines

Delta Airlines

Departure Airport	Arrival Airport	Frequency
Paris - CDG	Atlanta – ATL	Two flights per day
Paris - CDG	Cincinnati - CVG	One flight per day
Paris - CDG	New York – JFK	Two flights per day
Nice – NCE	New York – JFK	One flight per day

Source: Delta Airlines

Northwest Airlines/KLM

Departure Airport	Arrival Airport	Frequency
Paris - CDG	Detroit – DTW	One flight per day

Source: Northwest Airlines/KLM

United Airlines

Departure Airport	Arrival Airport	Frequency
Paris - CDG	Chicago – ORD	One flight per day
Paris - CDG	San Francisco- SFO	One flight per day
Paris - CDG	Washington – IAD	One flight per day

Source: United Airlines

US Airways

Departure Airport	Arrival Airport	Frequency
Paris - CDG	Philadelphia – PHL	Two flights per day

Source: US Airways

Top 10 Airlines Worldwide in Sales in 2002

Airlines companies	Sales in € billon
Air France/KLM	19.2
American Airlines	14.8
Japan Airlines System	14.7
Lufthansa Group	13.8
United Airlines	12.3
Delta	11.4
British Airways	10.2
ANA Group	8.6
Northwest Airlines	8.1
Continental Airlines	7.2

Source: Tourhebdo and L'Echo Magazines

NEW INDUSTRY TRENDS

I. E-tourism/Internet

E-tourism represents a €7.6 billion market in Europe, with France ranking behind the United Kingdom in individual market size. Currently, 44 percent of the French use the Internet, with 36 percent purchasing travel online. E-tourism saw an increase of 20 percent in one year with 29 percent of French consumers buying train tickets, 14 percent purchasing airlines tickets and 12 percent ordering stays and trips packages. Nonetheless, 23 percent of French people distrust the Internet more than travel agencies with online payments being the primary objection.

Three firms dominated the market in 2002: Lastminute.com (€374 million in sales), Ebookers (€370 million in sales) and Voyages-scnf.com (€272 million in sales). Voyage-sncf.com moved to the top in 2003 with sales of €470 million, a 73 percent increase.

This success has led to new entrants. Expedia--the number four U.S. e-tourism firm-- took over Anyway and is preparing to launch Expedia.fr and has entered into a partnership with Voyages-SCNF.com. CETO (association of tour operators) launched its website on March 1, 2004 with financing from 20 tour operators. The website will be dedicated to the travel agencies.

Top 10 E-tourism Firms

Company	Number of Users - March 2002	Number of Users - March 2001	Change from 2001
Voyages-sncf.com	935,000	843,900	+11 percent
Sncf.com	838,000	843,000	-0.6 percent
Lastminute.com	350,000	215,300	+62.6 percent
Promovacances.com	341,000	217,400	+56.9 percent
Airfrance.fr	326,000	251,800	+29.5 percent
Degriftour.com	319,000	307,400	+3.8 percent
Karavel.com	306,000	/	/
Ratp.com	245,000	167,100	-10.4 percent
Nouvelles-frontieres.fr	195,000	217,600	-10.4 percent
Travelprice.com	178,000	/	/

Source: Tour Hebdo and L'Echo Touristique magazines

Hypermarket Chain Stores

Over the last decade, hypermarket chain stores have had an impact in the tourism industry, becoming major partners in the travel industry. Through their network of stores, they attract customers with mid-range prices and offer other services like financing and credit.

Top Four Hypermarket Chain Stores in 2002

E. Leclerc Voyages	400,000 customers
Vacances Carrefour	350,000 customers
Voyages Auchan	49,000 customers
Casino Vacances	40,000 customers

Source: Tour Hebdo and l'Echo Touristique magazines

Leclerc Voyages has 117 agencies and Vacances Carrefour has 90 sales outlets.

A series of promotional packages helped to prevent hypermarket chain stores from suffering major declines in business activity to the United States.

KEY CONTACTS

U.S Commercial Service

The Commercial Service at the U.S Embassy in France provides support to U.S destinations in France by providing information and customized services. It also publishes an annual Who's Who of the tourism industry in France, containing information on tour operators, travel agencies, airlines, representation of U.S. states and cities in France and other significant contacts in the French tourism industry. It also publishes a media guide, which includes information on the travel trade press, specialized magazines and travel guides in France. It also organizes a U.S. pavilion at France's top travel trade event, Top Resa.

To obtain information about how to promote U.S destinations in France, please contact:

American Embassy
The Commercial Service
2, avenue Gabriel
75008 Paris - France
Tel: (33-1) 43.12.27.70, Fax: (33-1) 43.12.21.72
Contact: Valerie Ferriere, Tourism Specialist
E-mail: Valerie.Ferriere@mail.doc.gov
Website: http://www.buyusa.gov/france/en/

Visit USA Committee France
C/o Keith Prowse, 7 rue de Clichy
75009 Paris
Contacts: Mrs. Isabelle Gelée, President
Ms. Aude Pelamourgues, Executive Assistant
Tel: (33-1) 42 81 88 26, Fax: (33-1) 42 81 88 89
Website: infos@visitusafrance.com, visitusafrance.com

The Visit USA Committee France is a non-profit association created in 1996 to organize promotional events such as trade & consumer shows in cooperation with the Commercial Service/American Embassy Paris. It also publishes several travel guides available to the travel trade and the general public. The Committee has over 70 members, and is managed by an elected executive committee representing all sectors of the tourism industry.

TRADE PROMOTION OPPORTUNITIES

Major trade events in the tourism industry in France are:

Name: **Mahana**
Type: Trade & Consumer Show
Location: Lyon (2nd largest city in France)
Dates: March 11-13, 2005
Frequency: Annual
Organizer: A consumer show organized by Expo Magazine
208, rue Vendôme
69422 Lyon Cedex 03
Tel: (33-4) 78 62 33 62, Fax: (33-4) 78 62 33 63
Contact: Coralie De Barreau, Sales Manager

Name: **Salon Mondial du Tourisme**
Location: Paris
Dates: March 17-20, 2005
Frequency: Annual
Organizer: A consumer show organized by CEP Exposium
1, rue du Parc
92593 Levallois Perret Cedex
Tel: (33-1) 49 68 54 50, Fax: (33-1) 49 68 54 51
Contact: Françoise Jeglinski, Sales Manager

Name: **Top Resa**
Event Type: Trade Show (10,000 visitors)
Location: Deauville
Dates: September 30- October 2, 2004
September 22 - 24, 2005
Frequency: Annual
Organizer: TOP RESA
70, rue Rivay
92532 Levallois Perret Cedex
Tel: (33-1) 47 56 50 00, Fax: (33-1) 47 56 50 67
Website: www.topresa.com
Contact: Brigitte Chanial, Director / Gérald Duport, Sales Manager

The U.S Commercial Service at the American Embassy and the Visit USA Committee France also coordinate a U.S. presence at the following trade events:

Name: **Envie de Partir / Le Figaro**
Event Type: Trade & Consumer Show
Location: Paris
Dates: October 9-11 2004
Frequency: Annual
Organizer: TOP RESA

Edited by Valerie Ferriere
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U.S. Embassy Paris
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